

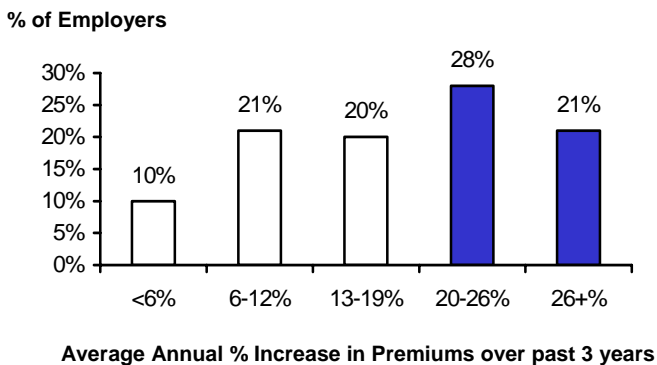


## 2005 Rhode Island Employer Health Insurance Survey

### Health Insurance is Rapidly Becoming Unaffordable

The results confirm national data showing health care costs escalating with no end in sight. As Figure 1 shows, almost half of all Rhode Island employers reported over 20% annual cost increases in the last three years. Only 10% of Rhode Island employers reported less than 6% cost increases over the last three years.

**Figure 1. Half of all RI Employers Reported Over 20% Annual Cost Increases Over the Past 3 Years**



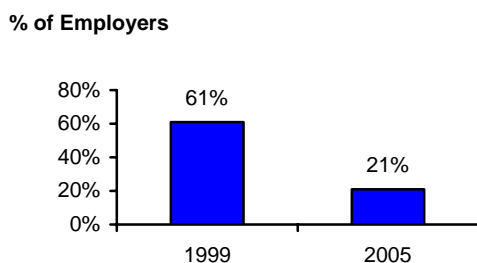
#### Employer Response to Rising Health Insurance Costs:

- # 1 Increased Employee Premium Cost Sharing
- # 2 Changing Plan Designs
- # 3 Tightening Eligibility Rules
- # 4 Not Offering Coverage

### Employer Response #1: Increased Employee Premium Cost Sharing

Many employers are responding to the rising cost of health insurance with increased employee cost sharing – both in terms of premium contributions and at the point of service. In 1999, 61% of employers paid the full premium for individual coverage. Today, only 21% pay the full premium (Figure 2).

**Figure 2. The Share of RI Employers Paying the Full Premium for Individual Coverage Dropped from 61% to 21%**



**The average cost of family coverage is now equal to the annual salary of someone earning the minimum wage.**

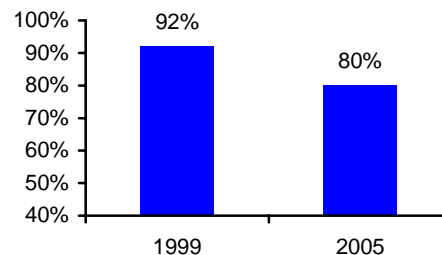
### Employer Response # 2: Changing Plan Designs

Employees also bear higher costs at the point of service. More employers offer high deductible plans, with 20% offering deductibles greater than \$1,000 for individual coverage.

### Employer Response # 3: Tightened Eligibility Rules

Some employers are responding to the increased cost of health insurance by tightening eligibility rules. Between 1999 and 2005, the percentage of full-time Rhode Island employees eligible for coverage (at firms offering coverage) fell from 92 to 80 percent (Figure 3).

**Figure 3. Percent of Employees Eligible for Coverage (at firms offering coverage)**



### Employer Response # 4: Not Offering Coverage

Finally, some employers are responding to the increased cost of health insurance by simply not offering coverage. The share of Rhode Island employers offering health insurance to full time employees dropped from 92 % in 1999 to 87 % in 2005.

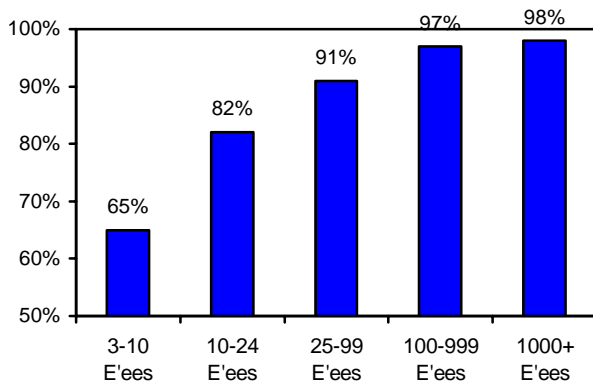
### Employee Response: Most Employees Still Choose To Enroll

With increased employee cost sharing, there has been some erosion in employee take up rates – however, most employees still “choose to enroll” in employer based coverage when offered. The vast majority of full time employees in Rhode Island who are offered coverage continue to enroll, although the take up rate has gradually eroded as costs have increased – 80 percent of full time workers offered coverage enrolled in 1999 compared to 68 percent in 2005.

## Small Businesses Are Especially At Risk

The overall trends described above are even more pronounced for small businesses. Only 65% of employers with 3-10 employees offer coverage to employees versus virtually all employers with more than 100 employees (Figure 4).

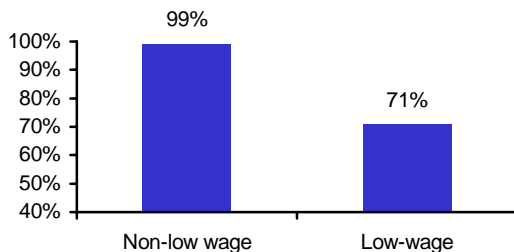
**Figure 4. Share of Businesses Offering Coverage by Size**



## Low-Wage Workers Are Particularly Affected

Low-wage workers in Rhode Island appear to be particularly hard hit by these insurance trends. Probably the most notable difference is in offer rate. Only 71% of low-wage employers offer insurance to their employees as compared to 99% of non low-wage employers.

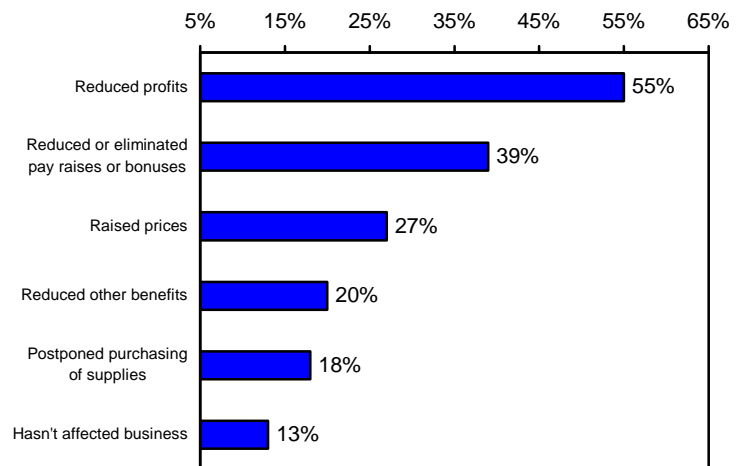
**Figure 5. Share of Businesses Offering Coverage (Low wage vs. Non-Low Wage)**



## Effect Of Health Care Costs On Core Business

In sum, rising health costs have ceased to be solely a human resources issue, and begun to drastically affect the core business. Fifty-five percent of employers reported that their profits were reduced because of health care costs. Nearly 40% of employers reported reducing or eliminating pay raises because of rising health costs and 27% considered raising prices (Figure 6). And while 79% of employers still view health benefits as important for attracting employees and 80% consider it important for retaining them, that benefit is tempered by the detrimental effects of health care costs on the core business.

**Figure 6. Overall Effect of Health Care Costs on Business In Past Year**



## Policy Recommendations And Conclusions

Employers are clearly working hard to try to contain the costs of health care – with limited success. When asked for their suggestions, most employers were looking for the government to be more involved in addressing this problem by stabilizing insurance premiums. Both small and large employers had specific suggestions, including - more affordable plan designs, increased competition, and promoting transparency.

Without State action, Rhode Island faces the continued erosion of employer-sponsored health insurance, a continued increase in the working uninsured, a growing reliance on Medicaid and charity care, and a continuing detrimental effect on RI businesses.

## About This Survey

In the spring of 2005, the State contracted with JSI Research and Training Institute to conduct an extensive survey of Rhode Island employers' experiences with health benefits for their employees. The survey was sent to a representative sample of Rhode Island employers. Companies ranged in size from 3 to 10,600 employees in Rhode Island. 1,444 of 2,800 employers responded for a response rate of 52%. The sample included for-profit firms, nonprofit organizations and government agencies.

This survey is a collaboration among three state agencies - the Office of the Health Insurance Commissioner, the Department of Health and the Department of Human Services.

For more information about this survey, please contact Jay Buechner, PhD, [JayB@doh.ri.gov](mailto:JayB@doh.ri.gov) at (401) 222-5115